

Commonwealth of Pennsylvania:

: ss.

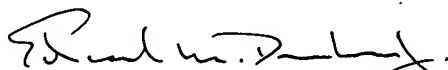
County of Philadelphia :

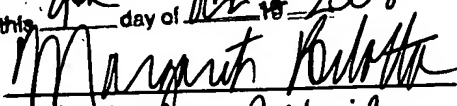
### AFFIDAVIT

I, Edward M. Dunham, Jr., being duly sworn according to law, aver as follows regarding the invention described in patent application 10/035,890 which was filed on December 31, 2001.

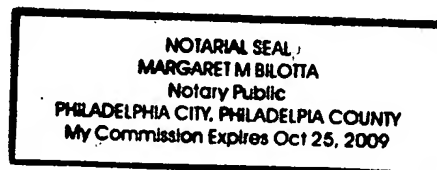
1. I am attorney practicing with the law firm of Duane Morris, LLP in Philadelphia, Pennsylvania. I first became acquainted with Douglas A. Nagan in 1998. At the time, we discussed his original, algorithm-based approach to assess the risk of Y2K non-compliance of various major and minor business entities. As Mr. Nagan and Duane Morris began to work together, Mr. Nagan concentrated on assessing the risk of non-compliant computer systems. Mr. Nagan has documents available on request to show examples of his Y2K approach.
2. In late 1999, Mr. Nagan thought it was feasible to further develop his algorithm-based approach for broader application in the commercial marketplace. We at Duane Morris supported Mr. Nagan's efforts as having considerable potential.
3. In late 2000, Duane Morris and Mr. Nagan began to work together on producing new tools to achieve cost effective, timely and scaleable risk assessment in various applications. Mr. Nagan continued to furnish the technical know how and firepower, and Duane Morris furnished some of the legal substantive content. During this process, we jointly developed several pilot versions of the tools which performed well under actual, operational conditions.
4. Mr. Nagan, in his affidavit, has noted that the "primary purpose of the invention was and is to assist insurance, reinsurance and retrocessionaire underwriters, and corporate risk managers, chief financial officers, general counsel and chief executive officers to accurately measure risks requiring either remediation or insurance coverage, and to enable the foregoing to accurately price any insurance coverage offered." He is precisely correct.
5. Mr. Nagan and I had numerous conversations and meetings with sophisticated and experienced prospective users of the invention, as noted in Mr. Nagan's affidavit. Each of these individuals informed us that the invention was absolutely feasible and necessary in the marketplace. When asked, none could think of any other individuals or entities with similar inventions.
6. During the time we worked on the development of the invention, Duane Morris had several prior art searches accomplished by patent counsel. None of these searches turned up what patent counsel might reasonably consider prior art.

The foregoing information is true and correct based on my personal knowledge, information and belief. Further affiant sayeth not. .

  
Edward M. Dunham, Jr.

Sworn to and subscribed before me  
this 1st day of Oct 2008  
  
Notary Public

DM11414098.1



## **Spielman Considerations**

Regarding this request we would like to summarize our arguments in light of the factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.

It appears the difficulty is in determining what specifically is the prior art. There are to our view three different arts involved:

1. Spielman: Managing risks inherent in business activities and more particularly to a data processing apparatus and method for identifying, managing and quantifying risks and associated control procedures
2. Nagan: A method for assessing risks of potential losses in risk areas with an evaluation of the circumstances.

The art in Spielman is the assessment of risk by comparing to a standard specifically the data processing control procedures. In Nagan the art is in determining risk by assessing the circumstances within and without the business and determining a probability of loss.

There is a difference between these arts. They are not the same. A summary of the differences follows:

1. The art of assessing risk in data processing apparatus and methods for identifying, managing and quantifying risks and associated control procedures, as detailed in Spielman, revolves around compliance with the control procedures. The assumption is that if the control procedures are followed then the risk is minimal if not zero. This means the skills required are in the creation of appropriate control procedures and then determining if they are being followed. An example of an ordinary person skilled in these arts would be an auditor.
2. The art of assessing potential losses in risk areas requires skills in the area of defining what are the characteristics of risks that might lead to potential losses. The skill is in determining what those characteristics might be and assigning probability and magnitude of potential losses and then structuring questions that determining if these characteristics are present. An example or an ordinary person skilled in these arts would be an underwriter.

These arts are entirely separate and different and persons of ordinary skills in each particular art do not use the same approaches, knowledge base, or methodologies when addressing risk in their terms.

There is a real danger in abstracting approaches if not grounded in the art under discussion. Abstract enough and it can be shown that As Turing wrote in *Undecidable*, p. 128:

"It is possible to invent a *single machine* which can be used to compute *any* computable sequence. If this machine **U** is supplied with the tape on the beginning of which is written the string of quintuples separated by semicolons of some computing machine **M**, then **U** will compute the same sequence as **M**."

Using this logic it could be claimed that any automated approach is the same since they can be abstracted to the Universal Turing Machine. For this reason I think the scope and content of the art under discussion needs to be the art as described in the patents and/or application and not the art of information technology. Which leads to the conclusion that, Spielman, and Nagan all address different arts each would not be obvious to a person having ordinary skill in the art to which said subject matter pertains.

2. Ascertaining the differences between the prior art and the claims at issue.

There is a fundamental difference between these arts. A summary of the differences follows:

1. As stated previously the art of assessing risk in data processing apparatus and methods for identifying, managing and quantifying risks and associated control procedures, as detailed in Spielman, revolves around compliance with the control procedures. The assumption is that if the control procedures are followed then the risk is minimal if not zero. This means the skills required are in the creation of appropriate control procedures and then determining if they are being followed. A person of ordinary skill in this art would have knowledge of business process controls, standards and regulations affecting business controls and reporting. A person of ordinary skill in this art would not have the skills necessary to assess the risk of loss by evaluating the circumstances within and without the business as these cannot be defined by control procedures.
2. The art of assessing potential losses in business requires skills in the area of defining what are the characteristics of risks that might lead to potential losses. The skill is in determining what those characteristics might be and assigning probability and magnitude of potential losses and then structuring questions that determining if these characteristics are present. A person of ordinary skill in this art needs to understand the potential of loss by evaluating the circumstances within and without the business.

These arts are entirely separate and different and persons of ordinary skills in each particular art do not use the same approaches, knowledge base, or methodologies when addressing risk in their terms.

3. Resolving the level of ordinary skill in the pertinent art.

Since we believe the arts are different the level of skill in each is irrelevant to this situation.

4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

It would be obvious to an ordinary person skilled in the art described in Spielman to apply their approach in situations where existing regulations and or procedures were in place. It would not be obvious to an ordinary person skilled in those arts to apply the findings to undocumented or unstructured situations. We submit that because of the differences in the arts as described in the applications the objective evidence lead to the conclusion that the art as described in Nagan would not be obvious to an ordinary person skilled in the arts described in Spielman.

*Response to Arguments*

Applicant's arguments with respect to claims 1-10 have been considered but are, moot in view of the new ground(s) of rejection.

We request reinstatement of our claims and request a patent be issued in that the subject matters as a whole would not be obvious to a person of ordinary skill in the art to which the subject matters pertain. In Spielman what is claimed is a method and system for managing risks inherent in business activities and more particularly to a data processing apparatus and method for identifying, managing and quantifying risks and associated control procedures. These subject matters are entirely different from the subject matter of assessing risk wherein the risk areas encompass categories of potential losses.

Our responses regarding Spielman can be summarized as follows:

1. Spielman's objective is to quantify risk and the effectiveness of control procedures designed to address such risks and more particularly to data processing apparatus and method for identifying, managing and quantifying risks and associated control procedures. The art is in the creation of control procedures and then quantifying their impact this is different from the art of analyzing the potential for real loss from legal, technological or business causes
2. Spielman on the other hand evaluates risk through a three tiered approach the basis of which are the control procedures and risk is defined as compliance with these procedures. Thus high risk equates to non compliance with the control procedures. Nowhere is risk of loss mentioned nor can the approach be used to assess the risk in situations wherein control procedures do not apply such as the risk of loss if a building is sited in a flood plain. The art in Spielman relates to the particular art cited

which is in data processing apparatus and associated control procedures which is a different art that the risk of loss.

3. Spielman's teaching is directed towards identifying, managing and quantifying risks using control procedures in a data processing apparatus. It would not be obvious to one of ordinary skill in the art of quantifying the risk of non compliance with control procedures that it is the same as the art involved in assessing the risk of a loss, or potential loss. In fact the teachings are not the same.
4. in Spielman a person skilled in data processing control procedures. A person of ordinary skill in the art to which the subject matter pertains in Nagan would be a person skilled in assessing the potential for loss. Neither invention would be obvious to persons of ordinary skill in the other invention as they are operating in entirely different arts and in entirely different professional fields.
5. For these reasons the differences between the subject matter which we seek to patent and the prior art are such that the subject matter as a whole would not have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. We therefore request our claims be approved and a patent be granted.

In light of the arguments presented above we respectfully request reconsideration and request a patent be issued.